

AR30

Canada's Western Bank

Annual Report 1979



Bank of British Columbia



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Chairman and
Chief Executive Officer

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President and
Chief Operating Officer

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Vice President
Senior Partner
Bonner & Fouks
Vancouver, B.C.

COLEMAN E. HALL
Vice President
President
Devonshire Hall Ltd.
Vancouver, B.C.

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Secretary
Senior Partner
Clark, Wilson & Company
Vancouver, B.C.

RUSSELL J. BENNETT
Kelowna, B.C.
President
M.W. Stores Ltd.

HARRY BOOTH
Calgary, Alberta
President and Chief Executive Officer
Alberta and Southern Gas Co. Ltd.
Alberta Natural Gas Company Ltd

W. THOMAS BROWN
Vancouver, B.C.
Chairman
Odlum Brown & T.B. Read Ltd.

THOMAS A. BUELL
Vancouver, B.C.
Chairman, President
and Chief Executive Officer
Weldwood of Canada Ltd.

THE HONOURABLE
THOMAS A. DOHM, Q.C.
Vancouver, B.C.
Senior Partner
Dohm, Dohm, McEwan & Jaffer

A. WILLIAM EVERETT
Vancouver, B.C.
President
Dominion Vancouver Motors Limited

ALBERT E. HALL
Vancouver, B.C.
Adviser
Bank of British Columbia

BEVERLEY K. LECKY
Vancouver, B.C.
President
Hosmer Holdings Ltd.

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Vancouver, B.C.
Senior Partner
Lawson, Lundell, Lawson & McIntosh

J. WALLACE MADILL
Calgary, Alberta
General Manager
Alberta Wheat Pool

WILLIAM C. MEARNS
Victoria, B.C.
President
Rockcliffe Estates Ltd.

A. HOADLEY MITCHELL
Edmonton, Alberta
President
Mitchell & Associates Ltd.

BRYAN J. REYNOLDS
Vancouver, B.C.
President and Chief Executive Officer
Bethlehem Copper Corporation

PETER PAUL SAUNDERS
Vancouver, B.C.
Chairman and President
Versatile Cornat Corporation

JOHN L. SCHLOSSER
Edmonton, Alberta
President
Tri-Jay Investments Ltd.

J. BRUCE SMITH
Kelowna, B.C.
President
Okanagan Holdings Ltd.

Annual Statement Highlights

	1979	1978	% INCREASE (DECREASE)
TOTAL ASSETS	\$1,999,549,035	\$1,520,984,859	31.5
TOTAL DEPOSITS	1,862,896,098	1,417,837,653	31.4
LOANS	1,410,901,708	1,101,746,459	28.1
SECURITIES	206,087,763	106,197,779	94.1
BALANCE OF REVENUE	8,655,450	8,828,038	(2.0)
BALANCE OF REVENUE (after provision for income taxes)	6,675,450	5,258,038	27.0
PER SHARE*	4.41	4.08	8.1
PER SHARE (number of shares outstanding at year end)**	4.36	3.43	27.0
DIVIDENDS PAID	1,514,689	1,157,020	30.9
PER SHARE	1.00	.88	13.6
CAPITAL FUNDS (including accumulated appropriations for losses of \$12,658,808 1978 — \$9,365,980)	78,992,561	60,913,959	29.7
NUMBER OF SHARES ISSUED**	1,531,663	1,531,663	—

*The after tax balance of revenue has been calculated on the weighted monthly average of fully paid shares. These were 1,514,718 shares and 1,287,516 shares for the respective years.

**Based on increased number of shares resulting from the July 1978 rights issue of 255,277 new shares.
For tax purposes Bank of B.C. stock was quoted on Valuation Day, December 22, 1971, at \$22.25 per share.

Canada's Western Bank

Annual Report 1979



Bank of British Columbia

Address by the Chairman

As we embark upon the year ahead, we must also consider the new decade that is upon us and recognize that Canada, and indeed the world, is in the throes of structural change — economic and political change brought about by demographics and the energy situation. Through these two forces, the fortunes of the developing and the industrial nations of the world will become more intertwined and increasingly interdependent. Yet, the divergence of wealth through the decade ahead could be greater. Population growth in the western world will slow, thereby changing the character of economic activity and reducing potential growth rates of our economies. On the other hand, in the less developed countries population will expand, dramatically aggravating the problems of unemployment, productivity and absolute poverty. From the energy perspective, oil and its quest, the search for substitutes, and the consumption of a nonrenewable and high-priced resource will continue to induce shifts in wealth, investment and power.

In the international arena, new institutional arrangements are needed now — a broader role for the International Monetary Fund and greater flexibility for development banks — to tackle the growing disparities and structural debts and payments imbalances amongst nations. It is essential that the western industrialized countries maintain their fight against inflation in order to achieve their economic growth and employment potential, liberalize the world trade environment and provide greater assistance to developing countries. This will not be an easy task as the business recovery of the western economies will place a premium on the flow of funds which is desperately required by the less developed nations. We must also reverse the trend towards increased trade protectionism which is growing more politically attractive as the western nations face continued threats of recession in the short term. Trade protectionism is a defensive posture and will draw us down a road to a weakened world society, sustaining uncompetitive industries to the detriment of new competitive op-

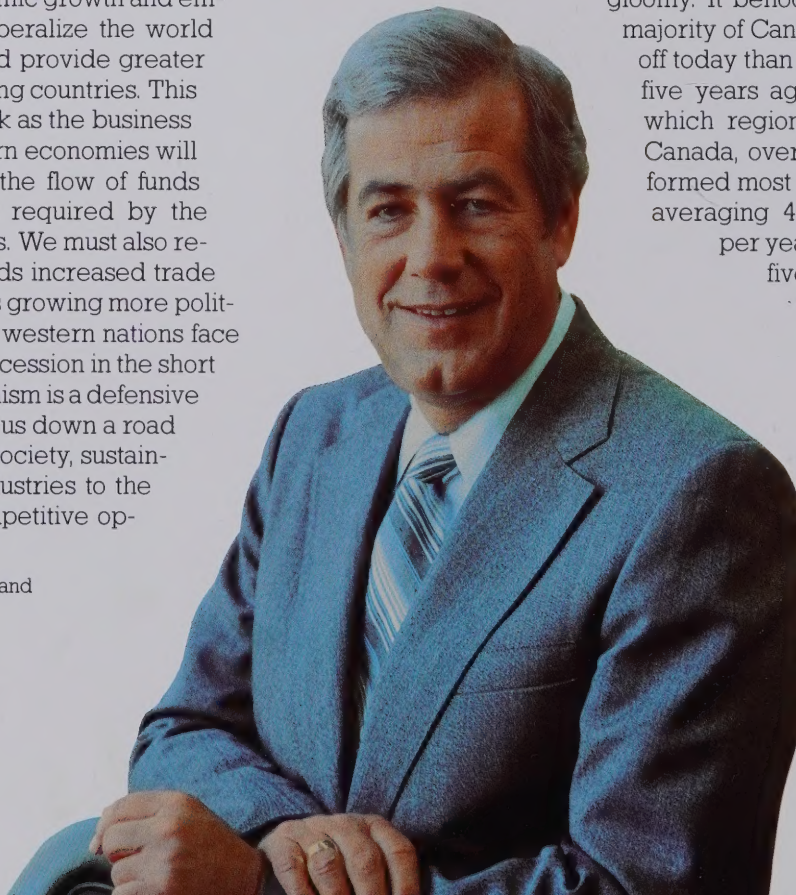
portunities. From a worldwide viewpoint to that of our own nation, each and every one of us must look introspectively at the structural problems we will face in the eighties. We must then establish priorities, and in compiling any cost analyses give greater emphasis to longer term gains. Should we fail, the atrophy of investment and job growth will ensure more radical social change and blunt severely the wealth-creating process in all nations.

Here in Canada our structural problems are fourfold: inflation, a growing international indebtedness, government fiscal imbalances, and the pricing, supply and use of energy. These are problems which simply cannot be finetuned by government, as was attempted through the past decade. We, the electorate of this country, must realize that successful resolution of these problems will be a protracted endeavour which at times will place short term limitations upon our activity.

It is a distressing propensity of human nature that we tend to focus on the negative and sensational elements of events to the exclusion of the positive aspects. Statistical information is often taken out of context and the gloomy side of any struggle often exaggerated. Because of this we frequently reach for short term solutions to the symptoms of a problem and never really tackle the problem itself.

From a medium or long term perspective, the past was not all that bad, nor does the future appear so gloomy. It behooves us to remember that the majority of Canadians are substantially better off today than they were twenty, ten or even five years ago. And this is true no matter which region of the country one studies. Canada, over the past decade, has outperformed most nations on the economic front, averaging 4.3% inflation-adjusted growth per year. We also rank among the top five nations in the world from an international credit standpoint. We are a country rich and diversified in natural resources and we possess the potential for both energy and agricultural self-sufficiency by the

Trevor W. Pilley, Chairman and Chief Executive Officer



early 1990's. As a nation we have an enviable record of political stability and we continue to outpace most nations in education and technology.

This is not to deny that major adjustment processes will be required throughout the 1980's. As our population ages and grows more slowly, this will force a change in the structure of investment. Engineering, plant and equipment needs will become more important components of total capital expenditures relative to housing. The role of investment and capital formation in the 1980's cannot be overemphasized. Total investment requirements will approximate 900 billion dollars of which energy needs alone will edge towards 400 billion dollars.

We in Western Canada will witness our much sought after energy resources drawing funds from the central provinces. These funds will in part finance an expanded infrastructure servicing the growing local markets which will result from the continuing westward shift of population. It is important to recognize the determination of western provincial governments to employ benefits accruing from nonrenewable resource development to ensure greater diversification in the Western Canadian economies and provide jobs for a relatively faster growing labour force. However, investment needs will be great in **all** regions of the nation as industry everywhere must adapt to significantly higher energy costs. The manner by which we recycle the additional oil revenues generated by the escalation towards world prices is crucial. Both our ability to resolve successfully the structural problems I mentioned earlier and our need to ensure that future capital requirements in all parts of the country are provided will be critically affected by the way these flows of funds are handled. To meet the staggering financial demands of the 1980's these revenues, and all others that can be procured, must be pressed into serving Canada's needs.

It is clear that investment needs will be extremely heavy in the 1980's and plans for financing this accelerated capital spending must be formulated now. The Federal Government could assist in mobilizing the funds required by taking the following immediate action: providing the fiscal incentives such as faster write-offs, increasing the investment tax credit, abolishing capital gains taxes, and introducing some form of inflation accounting which more adequately reflects the impact of rising prices on corporate financial positions. Of course, to accomplish these facets of productivity inducement, governments must themselves work actively to continue curtailment of their expenses so as not to increase the already huge deficits. As

well, we all must attempt to reduce our growing demand for public services and assist governments by giving priority to requirements.

The prospect of continuing current international account deficits through the mid-1980's is one more reason why we must move domestic oil prices toward world levels and why natural gas prices must maintain a reasonably constant relationship to oil prices. Failure to do so will result in Canada becoming a net importer of energy (larger oil imports at ever higher prices) which will reflect more and more unfavourably on our current account deficit. Moreover, this is all the more reason why we must press for increased natural gas exports to help offset our international indebtedness and to provide the necessary return on investment which will encourage exploration for, and development of new supplies and help build a stronger Canadian industry.

As Canada progressively reduces its tariffs under the recently signed GATT agreement, the higher-cost manufacturing base of Ontario must be streamlined in order to ensure our competitive position in international markets and to enable us to exploit new opportunities. Here in the West, our semi-fabricated producers must work diligently at cost competitiveness as many less developed countries become suppliers to world markets. Our industrial relations climate must continue to advance from the progress achieved through the past two years. Definitely, in addition, a dedication to improved productivity is required.

We are most fortunate, as a Bank, to be located in Canada's West. The West, which will be the prime beneficiary of the new political-economic structure of the coming decade, combines a rich and diversified resource base with proximity and access to the vast emerging markets on the Asian-Pacific Basin. From a national perspective, we believe the greatest potential for growth through the next decade resides right here in our West. The West's share of total national production will likely increase from the current 31% to 36% by the mid to late 1980's.

Growth of the West can only enhance the Canadian fabric. Above all, the phenomenon known as Western alienation should diminish as Western Canadians are recognized and play a vital role in the policy decisions of the nation at large. Furthermore, the correction of inequities such as the inadequate transportation facilities in Western Canada would contribute to Canada's ability to rectify its international indebtedness. As I have mentioned in the past, Western provinces collectively run a merchandise trade surplus with the rest of the world double

that of the nation and tend to be more diversified with respect to trading partners. For example, 50% of Canada's exports to Japan originate in British Columbia. Also, a healthier, wealthier West will redound favourably to a higher standard of living for all Canadians as opportunities arise for suppliers to these new and enlarged domestic markets — suppliers who could well be from Eastern or Central Canada. Finally, the growth of capital markets in the West will increase the efficiency with which funds are mobilized and channelled to match the tremendous investment needs of our nation through the next ten years.

Change in the financial system of this country will also reflect implementation of the new Bank Act. The thrust of the proposed Act is to increase competition within the banking system through the entry of foreign banks and easier entry by new or existing Canadian-owned financial institutions. Many new banks will likely establish operations here in Western Canada. Also, business powers of chartered banks will be enlarged to include, for example, leasing and factoring. The additional competition should prove beneficial for our economy as business will be able to look to additional sources of financing. Banking, itself, will become highly dependent upon flexibility and innovativeness and this should serve well the specific needs of investment through the 1980's.

Turning to the year ahead, while we must cope with inflation and high interest rates, even this near term will be buoyant in Western Canada. In British Columbia, we see real economic growth close to 3.5% with investment serving as the key to this pace of activity. Consumer spending will likely advance as the year progresses but consumer inflation, which has eased steadily since 1975, will edge upwards into the mid 8% range, caused by the gradual adjustment of Canada's oil prices to world levels. British Columbia's unemployment rate should remain in the 7.5% to 8% range, unchanged from this year. By sector, we project a levelling in the growth of forest products manufacturing. Pulp and paper will continue strong, whereas lumber will probably experience a downturn before an upswing takes place in the latter part of the year. An acceleration in mining is expected in 1980, as is another strong year in tourism, which is the province's third most important industry.

In Alberta, an inflation-adjusted economic growth of 5.5% to 6% is forecast for 1980. By sector, the improvement from this year's expected 5.3% performance emanates from mining, with both increased output of mineral fuels and enhanced exploration and development spending.

Most other sectors in Alberta are expected to turn in growth performances similar to 1979. Consumer spending will maintain its exceedingly strong pace, but inflationary pressures will remain intense with consumer prices rising slightly in excess of 9%. New job creation will be strong enough in the province to absorb both increased provincial labour force participation and the continued heavy in-migration to the province. Thus, the unemployment rate in Alberta could fall to 4% next year although skilled labour continues to be very much in short supply.

As you probably perceive from my comments, I believe that as we enter the coming year and the new decade, the future looks relatively brighter for Canada compared to the international arena, and indeed especially so for Western Canada. We must address the challenges which lie ahead of us with confidence, diligence and an objective look at the reality of our situation. To this end, it may well help if we cease to place such high profile emphasis on national statistics and in their stead look at the key industrial groups and regional trends in our efforts to identify problems and propose solutions. Certainly, throughout the 1980's, Canada's potential growth rate will slow, reflecting the underlying demographic trends. But just as certainly, we will see a divergence of regional growth rates and the West will be in the forefront of activity.

Our investment needs will be great. Provided we can meet the requirements of the 1980's, Canada will become a more stable, mature industrial society. If we can achieve this, and I believe we can, this nation will be able to demonstrably increase its commitment to international co-operation; a commitment to institutions which have been so vital to the relative stability and progress of the world in the post-war period, and to an increased flow of resources, both human and financial, to those nations less developed than ourselves, which are so vitally dependent on the support of member countries of the Organization for Economic Co-operation and Development. In so doing, we would be extending the concept of the world community through a recognition of our own structural problems as they relate to those of the world as a whole and by adopting policies which acknowledge the medium term nature of these problems.

By effectively moving towards our full potential economic growth, we will be able to look outward as a nation, assisting the less advantaged to become productive partners in an expanding international system and, in turn, benefitting ourselves. This is a goal that not only Canada but all nations must seek through the next decade.



Address by the President

Throughout the fiscal year, banking was conducted in a climate of record high short term interest rates which rose dramatically in the last quarter, a nervous Canadian dollar internationally, and a divergent pace of economic growth domestically with Western Canada at the forefront of activity.

The need to protect both the exchange value of the Canadian dollar and to offset rising inflationary expectations forced our monetary authorities to maintain a favourable interest rate differential with the U.S. throughout fiscal 1979. Hence, our rate structure primarily reflected U.S. developments and not domestic economic performance. The prime rate rose in six steps from 11% as at November 1, 1978 to 15% at the close of the fiscal year.

Narrowly defined money supply is presently well within target range but the broader monetary aggregates grew at rates of 15% to 20% through the year and still impart an inflationary bias to the economy.

Despite the record high interest rates, business capital spending rebounded and proved to be the mainstay of economic activity. Banking system business loans steadily accelerated through the year, rising at an average annual rate of 17%. The buoyancy of consumer spending was a surprise, but more than likely reflected some pre-buying of durables given the inflationary expectations at hand. For the system, personal loans were up a brisk 17% and Canadian dollar major assets advanced 19% through fiscal 1979.

The Canadian dollar remained nimble in foreign currency markets, fluctuating five cents through the year around an average 85.31 cents U.S. In the second quarter, international market sentiment turned positive on the basis of Canada's potential energy self-sufficiency. However, our Canadian dollar remains vulnerable having to cope with a widening international current account deficit.

As a result of the unprecedented high rate structure, coupled with an adequate supply of loanable funds, strong interest rate sensitivities developed. Borrowers "shopped" for finer pricing while at the same time depositors turned from traditional savings accounts to higher yielding short term instruments. Consumer and mortgage rates lagged the increases in prime and still do not reflect the full 4% rise in the business loan rate. All these pressures combined to squeeze our operating margins significantly.

Operating Highlights

I am pleased to report that within this generally difficult climate your Bank recorded favourable operating results. Balance of revenue after taxes increased by 27% from \$5,258,000 in 1978 to \$6,675,000 in 1979. Based on an increased number of shares as a result of the July, 1978 Rights Issue, balance of revenue after tax represents \$4.41 per share, compared to \$4.08 a year earlier. The narrowing interest rate spreads which I have earlier referred to saw a reduction in net interest revenue as a percentage of total revenue from 32.5% in 1978 to 24.4% in 1979. For purposes of this comparison, revenues have been grossed up to reflect our investment in term preferred shares and income debentures actually received on an after tax basis. As a consequence of these significantly reduced interest margins, the favourable earnings resulted in part through substantially higher Other Operating Revenues, coupled with effective control of our non-interest expenses. This latter feature has been an important aspect of our management discipline this year, with fine co-operative constraint exercised at all levels of the organization.

Total assets grew by 31.5% to just short of the \$2 billion figure. It is perhaps a reflection of the inflationary environment of the past few years, as well as simple mathematical progression that whereas we passed the \$1 billion asset level after ten years of operations, the second billion dollars has been added in only two short years.



D. Edwin McGeachan, President
and Chief Operating Officer

Small Business

Last year the General Manager referred to the introduction of our WestBank Business Plan designed to provide a comprehensive and flexible loan programme for small and medium-sized businesses. In order to provide some assistance to smaller businesses in the financing of inventory and receivables, your Bank recently announced a reduction of ½% in the prime lending rate to all small businesses requiring operating credits up to \$250,000. This announcement reinforced our determination to assist this segment of borrowers who are particularly affected by high financing costs.

Alberta

Since the initial establishment of our first branches in Alberta in 1974, we have increased our coverage in that province to the point where we now have ten branches, five in Calgary and five in Edmonton, with an additional branch planned for Edmonton in early 1980.

As a consequence, it is now vital we have a more senior presence in Alberta to reinforce the momentum that has been developed with the strong economic growth in the province. In this regard, we were most pleased to announce that Mr. Wayne W. Allen, Senior Executive Vice President of the Bank, will move to Edmonton to head up our operations in Alberta and the B.C. Interior. These areas will be better served through the local decision-making process which he will focus more accurately and perceptively on financial and other banking requirements of these markets.

Branch Development

Two new branches were opened in 1979, one each in Burnaby and New Westminster. In addition, during the past year our Kelowna Branch was relocated to larger premises and we expanded six other branches.

Four new branches are planned to open in 1980 in strong growth areas in both Alberta and British Columbia. We will also continue our programme to upgrade and expand a number of existing branches to meet customer

needs. Notable in this regard, we will be relocating our West Vancouver Branch to spacious new premises early in the new year. A computer satellite facility will be constructed in Calgary next year to improve our services support to our present and future Alberta branches.

Bank Act Revision

In anticipation of the Bank Act Revision process being completed in 1980, your Bank has effected 100% ownership of BBC Mortgage Ltd. previously held to the extent of 50%. The Company has filed with the Provincial Securities Commission a preliminary prospectus with respect to the issuance of preference shares which are to be converted into preferred shares of the Bank after the passage of the Bank Act. Recent market developments and changes to the Income Tax Act have caused a delay in this offering, but it is anticipated that an issue will be done in the very near future.

We have also incorporated WestBank Leasing Limited as a wholly-owned subsidiary to take advantage of the opportunity under the new legislation to conduct a financial leasing business. We are now identifying senior personnel and resources and expect to have a full leasing capability early in the new year.

International Banking

Our International Division continued to make significant progress during the past year. A satisfactory increase was achieved in both earnings and assets, with earnings showing the higher percentage growth.

Other operating revenue again made a major contribution to increased earnings, with foreign exchange and loan fees the major factors. This was particularly important in a year in which the international loan market was again dominated by narrow interest spreads.

During the year the International Division expanded its overseas presence with the establishment of a wholly-owned Hong Kong subsidiary and representative office.

Real Estate Investment Trust

The real estate investment trust which your Bank sponsored in 1972 continues to make a substantial contribution to our balance of revenue. While assets have remained relatively flat this year at the \$130 million level, the nature of the business is such that the portfolio turns over very frequently. Since inception, BBC Realty Investors has been one of the leaders in its field in earnings and return to investors.

Human Resources

As we approach the 1980's, our organization will be faced with a number of new and exciting challenges. With these challenges comes the need to review our on-going commitment to establish a strong aggressive team to ensure our continued success.

Because banking is a people business, we attach special importance to our staff and shall continue to promote their development by ensuring their exposure to new and satisfying assignments. This commitment, together with our ability to attract capable, experienced individuals, will allow us to maintain our position as a leader in the marketplace.

While the coming years hold the promise of signifi-

cant change, it will continue to be the people in our organization who make it successful. On your behalf, I extend sincere appreciation to all our staff who have worked loyally and diligently to achieve very satisfactory results during most difficult market conditions.

The Year Ahead

In the coming year slower economic growth is expected, although regional trends will favour our market areas of Alberta and B.C. Monetary policies will be geared to restraint of inflation and maintenance of a viable exchange rate. Hence, interest rates are expected to remain relatively high, tagging along with movement in the U.S. and easing somewhat in the second half of the fiscal year.

Given this scenario, we expect asset growth to be more subdued than in 1979. Overall priority will be given to size and quality of our loan portfolio and continued control of expenses to result in our balance of revenue growth exceeding the planned growth of our average assets employed.

Given the likely implementation of the Bank Act, we are ready to meet the challenge of a new competitive environment, not only in the coming year, but throughout the Eighties.

Victor Dobb, Executive Vice President
and General Manager





Alberta

We recently announced the formation of our Alberta Division under the leadership of Mr. Wayne W. Allen, Senior Executive Vice President of the Bank. Mr. Allen is establishing his executive and divisional offices in Edmonton to exercise the significant authority and support responsibilities which he will have to our Alberta branches and those in the Interior of B.C. This senior representation in Edmonton will be a major extension of the Bank's Head Office presence in Alberta.

This key appointment is the initial move in an aggressive plan to extend our coverage throughout Alberta and prepare the Bank for any future expansion into Saskatchewan and Manitoba. Mr. Allen and his divisional officers will effectively reinforce our commitment to serve the western provinces to the full. It was during 1976 and 1977 that the Bank first broadened the scope of local autonomy in Alberta for Corporate and Consumer credit matters. This latest move is a further step in recognizing the benefits of providing greater local authority.

As third ranking officer of the Bank, Mr. Allen will continue to play a major role at the policy level and this coupled with the close knowledge which he will have of his market will enable us to ensure that the Bank remains totally responsive to the banking needs of individuals and businesses alike.

Our original objective in providing banking service in the major cities of Alberta has been surpassed. It is now vital to reinforce the momentum the Bank has developed

in moving with the strong economic growth of the province. The Bank's divisional plans will facilitate this. Keeping in mind the measurable impact the Bank created in the development of the western money market with its Head Office in the West, our facilities which were initiated in 1974 in Edmonton are to be expanded. This is an integral part of the Bank's plans for our new division and will further complement our existing money market operations in Vancouver. It will provide expanded service capacity in concert with improved opportunities for those whose investment portfolios include both the International and Canadian money market.

The Bank's representation in Alberta has increased to ten branches, five in each of the major metropolitan areas of Edmonton and Calgary. We plan to open a sixth office in Edmonton early in 1980. An important segment of our planned branch expansion is the installation of a satellite data centre in Calgary during 1980. When operational, it will facilitate the implementation of increased representation in other central communities in Alberta and, eventually, the rapidly growing Saskatchewan market.

The Bank, during its formation, foresaw that Western Canadians could be better served with local decision making. The extension of that philosophy in answering the financial needs of individual major western economic centres will enhance our opportunities of continued development and the development of those centres in which we are represented.

Wayne W. Allen,
Senior Executive Vice President





International Banking

The International Division's assets and earnings grew substantially during the year. Net revenue increased by 40.62% and average assets by 38.36%.

The results were achieved in an unattractive international lending climate. Narrow interest spreads, extended maturities, and excess liquidity all contributed to making 1979 a borrower's market. Neither chronic inflation, nor fears of recession had any apparent effect on market conditions. Even the economic dislocation caused by political turmoil seemingly played only a minor role in international markets.

Because of these factors, major marketing efforts were concentrated in the advanced industrial countries, with a substantial amount of corporate business being developed in the U.S.A. and Canada.

There was a steady expansion of business in Western Europe, Asia and to a lesser extent, in Latin America.

Because of the above policy, there was less dependence on the relatively low yield inter-bank deposit market as a source of revenue. As a result a satisfactory return on net interest assets was achieved.

The overall return on assets was enhanced by a substantial contribution from other operating revenue, which increased by 30.7%. The major contributions came from foreign exchange earnings and loan fees, the former reflecting increased trading volumes in buoyant Western Canadian markets, and the latter overall growth in loan management, participation and commitment fees.

During the latter part of the year, the Bank

opened a representative office and subsidiary in Hong Kong. The office is responsible for developing and servicing the Bank's business in the Asia-Pacific Area.

With the establishment of the Hong Kong office, the International Division, now has full time representation in major banking centres of the U.S.A., Western Europe and Asia. These offices supplement the marketing and administrative activities of the Division's major unit at the Bank's Head Office in Vancouver.

Whilst the Hong Kong office opened too late in the year to have any major impact on the Division's earnings, the contribution by the San Francisco Agency and the new business referred by the European Representative Office in London was substantial.

The San Francisco Agency generated a significant amount of new business in the U.S.A. and played an important role in the 46% overall increase in North American assets.

The European Representative Office maintained liaison with the London and Western European markets. It was active in establishing new inter-bank relationships and in the referral of international lending opportunities. During the year, loans to Western European borrowers increased by 35%.

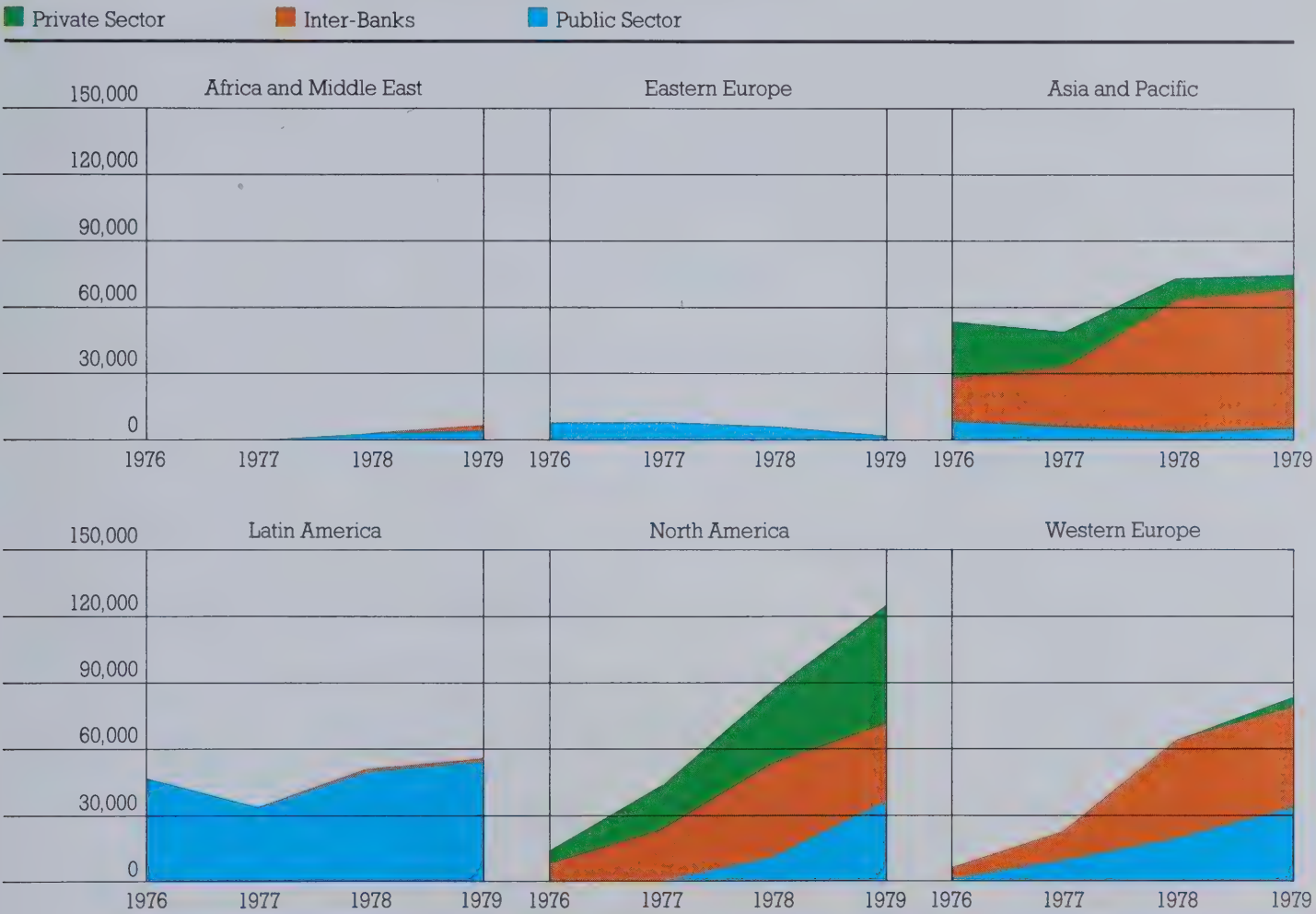
At the year end, the distribution of foreign currency assets was as follows: North America 36.2%; Western Europe 24.2%; Asia and Oceania 21.6%; Latin America 16.2%; Eastern Europe, Middle East and Africa 1.8%.

F. Peter Darling (left), Executive Vice President, International and Clive Bettles, Agent, San Francisco

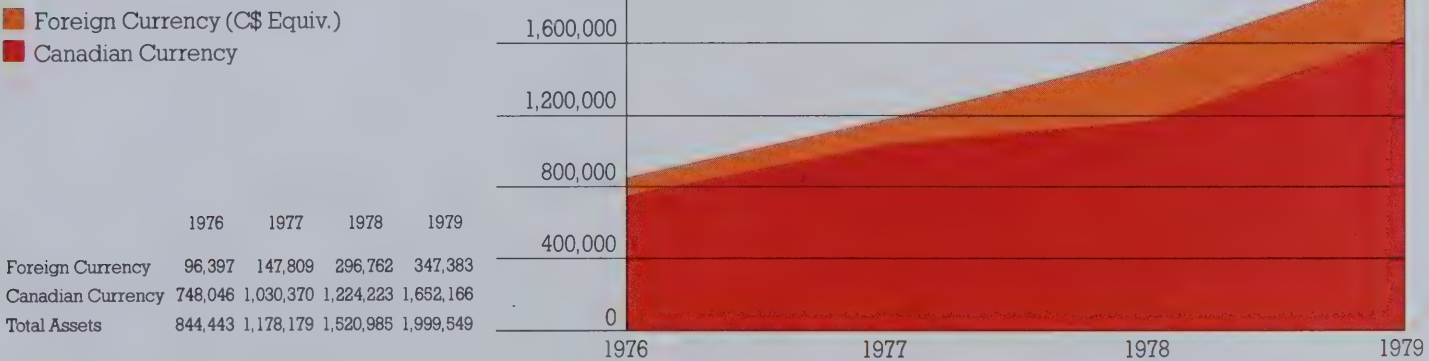


A Four Year Comparison

Geographical Distributions of Assets as at October 31 (C\$000's)



Distribution of Total Assets (000's)



Senior Officers of Bank of British Columbia

TREVOR W. PILLEY
*Chairman and
Chief Executive Officer*

D. EDWIN McGEACHAN
*President and
Chief Operating Officer*

WAYNE W. ALLEN
Senior Executive Vice President

VICTOR DOBB
Executive Vice President and General Manager

F. PETER DARLING
Executive Vice President, International

Senior Vice President

ROBERT J. FRUIN
Corporate Credit

Vice Presidents

HENRY J. BOW
International Division

KERMIT R. CULHAM
Human Resources

HUGH DALGLEISH
Chief Inspector

LESLIE J. FOWLER
Comptroller & Chief Accountant

P. NEIL McEACHERN
Systems & Administration

ARNOLD E. MILES-PICKUP
Investments

JOHN E. MILLARD
Commercial Development

EINAR N. MYRHOLM
*Credit
Alberta Division*

F. MILTON SHARPE
Consumer Credit & Mortgages

GORDON R. WALLACE
Branch Operations & Marketing

DONALD C. WOLLSTEIN
*Manager
Vancouver Main Office*

Assistant General Managers

EARL V. ANDRUSIAK
Branch Banking, Alberta Division

JAMES M.A. BRIDEN
Corporate Credit

BRIAN D. CARTER
Senior Economist

ANDREW K.C. EE
Chief Dealer, International Division

W. ALAN FRANKLIN
Data Processing

DAVID W. MULLER
Investments

GERARD M. O'KEEFE
Branch Development

ARNOLD C. PROPP
Manager, Edmonton Main Office

MICHAEL S. ROGERS
Branch Operations

JAMES D. STODDART
WestBank Leasing

CYRIL TODD
Consumer Credit

J.E. GERALD YOUNG
Manager, Calgary Main Office

Corporate Organization

Alberta Division

Vice President

E. N. Myrholm, Credit

Assistant General Manager

E. V. Andrusiak, Branch Banking

Superintendents

R. S. Anthony, Credit

J. D. Wiggins, Credit

Manager

A. B. Jenkins, Human Resources

Branch Operations and Marketing

Vice President

G. R. Wallace

Commercial Development

Vice President

J. E. Millard

Branch Development

Assistant General Manager

G. M. O'Keefe

Superintendent

R. B. Stewart

Branch Operations

Assistant General Manager

M. S. Rogers

Marketing

Superintendent

G. T. Fearnley

Comptrollers

Vice President, Comptroller and Chief Accountant

L. J. Fowler

Deputy Comptroller

K. G. Found

Consumer Credit and Mortgages

Vice President

F. M. Sharpe

Assistant General Manager

C. Tbdd, Consumer Credit

Superintendent

L. E. Swaykoski, Consumer Credit

Corporate Credit

Senior Vice President

R. J. Fruin

Assistant General Manager

J. M. A. Briden

Superintendents

I. A. Follis

B. R. Hewson

L. A. Lund

P. E. Villeneuve

Manager

C. J. Nordstrom, Credit Administration

Senior Supervisor

B. F. Troniak, Dealer Control & Development

Economics

Assistant General Manager and Senior Economist

B. D. Carter

Human Resources

Vice President

K. R. Culham

Managers

P. A. O'Connor

E. R. Pritchard

G. E. Stephenson, Special Projects

J. S. Young, Compensation Planning

Inspection

Vice President and Chief Inspector

H. Dalglish

Senior Inspectors

J. R. Ancrum

M. J. Humjan, Development and Corporate Audit

G. D. Mulligan, Computer Audit

International Division

Vice President

H. J. Bow

Assistant General Manager and Chief Dealer

A. K. C. Ee

Investments

Vice President

A. E. Miles-Pickup

Assistant General Managers

D. W. Muller, Investments

J. D. Stoddart, Leasing

Manager

R. B. Hawkesworth

Systems and Administration

Vice President

P. N. McEachern

Managers

G. J. Erber, Systems Development and Documentation

W. E. Scharff, Administration

Data Processing

Assistant General Manager

W. A. Franklin

Managers

J. D. Lyon, Data Centre

M. B. Myhre, Planning and Technical Support

Supervisor

L. C. Benzley, Computer Systems and Programming



Minutes of the Twelfth Annual General Meeting of the Shareholders

The 12th Annual General Meeting of the Shareholders of Bank of British Columbia was held on Tuesday, December 11, 1979 at 11:00 o'clock in the forenoon in the British Room, Hotel Vancouver, 900 West Georgia Street, Vancouver, B.C.

Mr. T.W. Pilley requested the approval of the Meeting to the appointment of himself as Chairman and Mr. D.M. Clark as Secretary of the Meeting, and the appointment of Mr. Robert Morris and Mr. Gordon R. Hall as Scrutineers to compute the votes of any ballots taken at the Meeting and to report thereon to the Chairman.

UPON MOTION by Mr. C.E. Hall, seconded by Mrs. I. O'Reilly, it was resolved that the foregoing appointments be approved.

The Notice of Meeting was read by the Secretary. Mr. Pilley advised the Meeting that he had received satisfactory proof from the Secretary of the Bank that the Notice calling the Meeting had been duly publicized in accordance with the Bank Act and had been sent to each shareholder of the Bank and, as a quorum was present, he declared the Meeting duly constituted.

Mr. Pilley then addressed the Meeting as follows:

"It is very encouraging to your Board and management of the Bank to see such an excellent attendance of shareholders and guests at this the Twelfth Annual Meeting of the Bank. The Statements for the fiscal year ended October 31, 1979, which have been mailed to shareholders, will, I am sure, show that your Bank has had a successful year. Your support in directing business to the Bank during the year has contributed greatly to this result. Both total assets and earnings have shown good gains and the end result must be as satisfying to you as they are to your Board. I, personally, wish to thank each and every one of you for assisting in making the fiscal year 1979 a rewarding one.

I am pleased to announce that Mrs. Beverley K. Lecky was elected to the Board of Directors on August 14, 1979. Mrs. Lecky is a graduate of the University of British Columbia, has served as President of the Alumni Association and as a member of the Senate and Board of Governors of the University. She has been President of the Junior League of Vancouver and is active in a number of local charities and societies."

Mr. Pilley stated that Minutes of the Eleventh Annual General Meeting had been published and circulated to all of the shareholders and Mr. A.H. Mitchell moved: "That the Minutes of the Eleventh Annual General Meeting of the Shareholders of the Bank held on December 12, 1978,

copies of which have been mailed to the shareholders, be taken as if read, and approved and adopted."

The motion was seconded by Mr. J.W. Madill.

The Chairman then requested the shareholders to mark Ballot "A" for the approval of the Minutes to be collected by the usherettes after all ballots had been marked.

Mr. Pilley then stated: "Copies of the Statement of Assets and Liabilities of the Bank and of the Statements of the Rest Account, Revenue, Expenses and Undivided Profits, and Accumulated Appropriations for Losses have been forwarded to every shareholder in advance of this Meeting, and as you have copies of these Statements before you, we will forego, with your approval, the actual reading of these Statements, except for the Auditors' Report appended to the Bank's financial statement and the Directors' Report. We will be hearing shortly from Mr. McGeachan, President and Chief Operating Officer, on the operations of the Bank for the fiscal year just ended. Following his comments, and my own, there will be a full opportunity for shareholders to ask questions."

The Chairman then called upon the Secretary to read the Directors' and Auditors' Reports:

DIRECTORS' REPORT

"The Directors of Bank of British Columbia take pleasure in submitting to the shareholders their report on the results of the Bank's operations for the financial year ended October 31, 1979, and the Twelfth Annual Statement which contains statements of the rest account, revenue, expenses and undivided profits, accumulated appropriations for losses, and a statement of assets and liabilities as of that date, together with statements of assets and liabilities, of the Bank's controlled corporations, BBC Realty Ltd., BBC Mortgage Ltd. and British Columbia Financial Corp. (H.K.) Limited, annexed thereto.

Since October 31, 1978, two new branches of the Bank were opened making a total of forty-five branches of the Bank at the fiscal year end. In addition, a Subsidiary/Representative Office, British Columbia Financial Corp. (H.K.) Limited, was opened in Hong Kong and, of course, we have our San Francisco Agency and Representative Office in London, England.

All branches of the Bank opened prior to April 30, 1979 and our Agency in San Francisco have been inspected by the Bank's inspecting officers. Branches opened subsequent to April 30, 1979 will be inspected during the 1980 fiscal year.

The Auditors appointed by the shareholders, R.K. Duncan, C.A. and D.C. Selman, F.C.A., have made their examination of the Bank's affairs and their report accompanies the Annual Statements.

T.W. Pilley,
Chairman."

The Auditors' Report appears with the financial statements of the Bank.

It was then moved by Mr. Pilley, seconded by Mr. J.B. Smith that the Annual Statements for the fiscal year ended October 31, 1979 and the Directors' and Auditors' Reports thereon be adopted.

Mr. Pilley requested the shareholders to mark Ballot "B" for the adoption of the statements and reports.

Mr. Pilley then stated: "The provisions of the Bank Act require that one of the auditors be replaced every two years and we have asked Mr. R. Keith Duncan, C.A. to step down. I should like to express to him on your behalf our sincere thanks for the dedication and devotion he has given as one of the shareholders' auditors during the period he has served."

It was then moved by Mr. W.T. Brown, seconded by Mr. T.A. Buell, "that Mr. Donald C. Selman, F.C.A., of Peat, Marwick, Mitchell & Co. and Mr. Denham J. Kelsey, F.C.A., of Thorne Riddell & Co., be appointed Auditors of the Bank to hold office until the next Annual General Meeting and that their remuneration for the ensuing year be fixed at \$90,000.00, said amount to be divided between them."

Mr. Pilley then requested the shareholders to mark Ballot "C" for the appointment of Auditors.

Mr. Pilley stated: "The Meeting is now open for the

nomination of Directors for the ensuing year, 21 to be elected, and I will now ask the Secretary to read the list of proposed Directors who are eligible for election."

The Secretary then read the following names:

Russell J. Bennett

Harry Booth

W. Thomas Brown

Thomas A. Buell

Donald M. Clark

Thomas A. Dohm

A. William Everett

Arthur Fouks

Albert E. Hall

Coleman E. Hall

Beverley Kathleen Lecky

J. Wallace Madill

William C. Mearns

A. Hoadley Mitchell

D. Edwin McGeachan

G. Buchan McIntosh

Trevor W. Pilley

Bryan J. Reynolds

Peter Paul Saunders

John L. Schlosser

J. Bruce Smith

Mr. C. W. Brazier, Q.C.:

"It is to be noted that the persons whose names have just been read out as proposed Directors for the ensuing year have served the Bank very ably in that capacity during the past year. For this I am sure the shareholders thank them. A bank Director's responsibility today is an onerous one, and the excellent annual report issued by the Bank is cogent evidence that the Directors have served the shareholders well. It is interesting to note that six of the persons proposed have served the Bank continuously since its first year of operation. The list contains names of four outstanding businessmen from the Province of Alberta and in view of the extent of the Bank's operations in Alberta, the presence of these gentlemen on the Board must be of great value to the operating officers of the Bank. Finally, I wish to add a word about one particular person

All branch managers attended the 1979 Annual General Meeting.

On pages 18 & 19 representing that group are:
(left to right)

Greg J. Sprung, Douglas and Hillside, Victoria;

Tim T. McColl, Surrey;

Norman S. Elliot, Hastings

and Penticton, Vancouver



whose name is proposed, namely, Mrs. Beverley Lecky. Although she has been a Director since August, she is the first lady to be nominated at an Annual Meeting of the Shareholders of the Bank and I know that is particularly satisfying to the Bank's shareholders.

Having said that, I am pleased to nominate each of the persons whose names have been read out by the Secretary, as a Director of the Bank for the ensuing year."

Mr. Pilley asked if there were any other nominations and, there being none, he declared the nominations closed. Mr. Pilley then requested shareholders to mark Ballot "D" for the election of Directors.

It was moved by Mr. P.P. Saunders, seconded by Mr. J.L. Schlosser, "that Trevor W. Pilley, or failing him, D. Edwin McGeachan, or failing him, Victor Dobb, or failing him Donald M. Clark, be and is hereby appointed the true and lawful attorney of the Bank with power of substitution to attend and vote for and in the name of the Bank at any and all meetings of the shareholders of each and every corporation controlled by the Bank."

The Chairman then requested the shareholders to mark Ballot "E" for the appointment of attorney.

Mr. Pilley called upon Mr. D.E. McGeachan, President and Chief Operating Officer, to give his report on the operations of the Bank during the past year. (Mr. McGeachan's report appears on page 6.)

Mr. Pilley then addressed the Meeting. (Mr. Pilley's address appears on page 2.)

Upon receipt of the report of the Scrutineers the Chairman announced that the Ballots "A" to "E", inclusive, had been carried.

A shareholder questioned the amount of the dividend

payment and asked if there is a possibility of an increase. The Chairman stated that the Bank had a pressing need for capital in view of its substantial growth and as a result, the dividend payments of necessity were lower than the average of the banking system. He stated that the Bank intends to continue its policy of increasing its dividends, subject to its capital requirements.

A shareholder asked if dividends on the Bank's preference shares would take precedence over common share dividends after preference shares were issued. Mr. Pilley confirmed that preference share dividends would have precedence but pointed out that this was a means of securing capital without diluting the interest of common shareholders.

Several shareholders referred favourably to the progress of the Bank and complimented the Directors and officers on the financial results for the year.

There being no further questions and no further business, the Chairman thanked the shareholders for their attendance and declared the Meeting terminated.

At the Meeting of the Board of Directors held subsequent to the Annual General Meeting of Shareholders, the following officers were elected:

Trevor W. Pilley, Chairman and Chief Executive Officer

D. Edwin McGeachan, President and Chief Operating Officer

Arthur Fouks, Q.C., Vice President

Coleman E. Hall, Vice President

Donald M. Clark, Q.C., Secretary

Miss D. McDermott, Assistant Secretary

Lorne C. Earle, Kamloops;
George C. Weinand, Prince George;
Gerald J. Syrota, Alberta Place, Calgary;
Robert N. Evaniuk, 97th and 130th,
Edmonton





Canada's Western Bank

Financial Statements



Bank of British Columbia

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Annual Statement Highlights

	1979	1978	% INCREASE (DECREASE)
TOTAL ASSETS	\$1,999,549,035	\$1,520,984,859	31.5
TOTAL DEPOSITS	1,862,896,098	1,417,837,653	31.4
LOANS	1,410,901,708	1,101,746,459	28.1
SECURITIES	206,087,763	106,197,779	94.1
BALANCE OF REVENUE	8,655,450	8,828,038	(2.0)
BALANCE OF REVENUE (after provision for income taxes)	6,675,450	5,258,038	27.0
PER SHARE*	4.41	4.08	8.1
PER SHARE (number of shares outstanding at year end)**	4.36	3.43	27.0
DIVIDENDS PAID	1,514,689	1,157,020	30.9
PER SHARE	1.00	.88	13.6
CAPITAL FUNDS (including accumulated appropriations for losses of \$12,658,808 1978 — \$9,365,980)	78,992,561	60,913,959	29.7
NUMBER OF SHARES ISSUED**	1,531,663	1,531,663	—

*The after tax balance of revenue has been calculated on the weighted monthly average of fully paid shares. These were 1,514,718 shares and 1,287,516 shares for the respective years.

**Based on increased number of shares resulting from the July 1978 rights issue of 255,277 new shares.

For tax purposes Bank of B.C. stock was quoted on Valuation Day, December 22, 1971, at \$22.25 per share.

Highlights of Consolidated Results

Assets and Liabilities	October 31, 1979		October 31, 1978	
	Consolidated	Statutory	Consolidated	Statutory
Total Loans	\$1,427,742,323	\$1,410,901,708	\$1,114,990,902	\$1,101,746,459
Total Assets	1,999,769,987	1,999,549,035	1,521,017,893	1,520,984,859
Total Deposits	1,874,905,103	1,862,896,098	1,429,643,500	1,417,837,653
Sundry Liabilities	45,800,089	57,660,358	30,239,773	42,233,247
Accumulated Appropriation for Losses	12,794,484	12,658,808	9,405,884	9,365,980
Capital Funds:				
Debentures	19,440,000	19,440,000	9,451,000	9,451,000
Minority Interests in Subsidiaries	—	—	135,638	—
Shareholders' Equity	46,830,311	46,893,771	42,142,098	42,096,979
Total Capital Funds	66,270,311	66,333,771	51,728,736	51,547,979
Total Liabilities and Capital	1,999,769,987	1,999,549,035	1,521,017,893	1,520,984,859
Total Revenue	\$ 220,098,419	\$ 219,144,104	\$ 137,518,695	\$ 136,177,730
Balance of Revenue after provision for income tax	6,577,643	6,675,450	5,273,970	5,258,038
Net income attributable to minority interest in subsidiaries (Note 2)	10,772	—	10,171	—
Balance of Revenue after taxes and minority interest	6,566,871	6,675,450	5,263,799	5,258,038
— Per Share (Note 3)	4.34	4.41	4.09	4.08

Notes:

1. The Bank Act permits the consolidated financial statements of a bank to include only wholly-owned subsidiaries engaged in banking (statutory basis). The Bank has no such subsidiaries. The 'consolidated' basis includes the financial results of the Bank and its active subsidiary companies: BBC Mortgage Ltd., BBC Realty Ltd., and British Columbia Financial Corp. (H.K.) Limited.
2. Minority share of earnings for 1979 up to August 14, 1979.
3. Dividends paid to the Bank of British Columbia by subsidiaries exceeded those companies' earnings for 1979. These dividends represented the distribution of current and prior years' income. These transactions plus the start-up costs of the Hong Kong subsidiary resulted in consolidated earnings being decreased by \$.07 per share.

Statement of Revenue, Expenses and Undivided Profits

Year ended October 31, 1979 (With comparative figures for 1978)

	1979	1978
Revenue:		
Income from loans	\$191,888,774	\$119,335,543
Income from securities	14,204,427	7,664,813
Other operating revenue	13,050,903	9,177,374
Total revenue	219,144,104	136,177,730
Expenses:		
Interest on deposits and bank debentures	156,213,525	83,941,425
Salaries, pension contributions and other staff benefits	28,901,626	22,538,861
Property expenses, including depreciation	5,555,499	4,025,601
Other operating expenses, including provision of \$6,035,051 (1978 — \$4,377,932) for losses on loans based on five-year average loss experience	19,818,004	16,843,805
Total expenses	210,488,654	127,349,692
Balance of revenue	8,655,450	8,828,038
Provision for income taxes relating thereto (note 4)	1,980,000	3,570,000
Balance of revenue after provision for income taxes	6,675,450	5,258,038
Appropriation for losses	4,000,000	3,150,000
Balance of profits for the year	2,675,450	2,108,038
Dividends	1,514,689	1,157,020
Amount carried forward	1,160,761	951,018
Undivided profits at beginning of year	67,378	66,360
Transfer from accumulated appropriations for losses	2,050,000	1,800,000
	3,278,139	2,817,378
Transfer to rest account	3,200,998	2,750,000
Undivided profits at end of year	\$ 77,141	\$ 67,378

Statement of Accumulated Appropriations for Losses

Year ended October 31, 1979 (With comparative figures for 1978)

	1979	1978
Accumulated Appropriations at Beginning of Year:		
General	\$ 9,085,252	\$ 7,288,063
Tax-paid	280,728	198,713
Total	9,365,980	7,486,776
Additions (deductions) During Year:		
Appropriation from current year's operations	4,000,000	3,150,000
Loss experience on loans for the year less provision included in other operating expenses	(175,252)	(738,264)
Profits (losses) on securities, including provisions to reduce securities other than those of Canada and provinces to values not exceeding market	(312,816)	(16,595)
Income tax credit relating to appropriation from current year's operations (note 4)	1,830,896	1,284,063
Transfer to undivided profits	(2,050,000)	(1,800,000)
	3,292,828	1,879,204
Accumulated Appropriations at End of Year:		
General	12,248,032	9,085,252
Tax-paid	410,776	280,728
Total	\$12,658,808	\$ 9,365,980

Statement of Rest Account

Year ended October 31, 1979 (With comparative figures for 1978)

	1979	1978
Balance at beginning of year	\$27,241,875	\$19,473,341
Premium on issue of capital stock	1,057,808	5,228,948
Expense of issue, net of income taxes (note 4)	(681)	(210,414)
Transferred from undivided profits	3,200,998	2,750,000
Balance at end of year	\$31,500,000	\$27,241,875

Statement of Assets and Liabilities as at October 31, 1979

(With comparative figures at October 31, 1978)

Assets

	1979	1978
Cash Resources:		
Cash and due from banks	\$ 211,158,749	\$ 233,365,654
Cheques and other items in transit, net	73,109,547	11,747,837
	<u>284,268,296</u>	<u>245,113,491</u>
Securities:		
Securities issued or guaranteed by Canada, at amortized value	106,700,935	72,534,003
Securities issued or guaranteed by provinces, at amortized value	634,511	831,688
Other securities, not exceeding market value	98,752,317	32,832,088
	<u>206,087,763</u>	<u>106,197,779</u>
Loans:		
Day, call and short loans to investment dealers and brokers, secured	6,374,658	11,689,737
Other loans, including mortgages, less provision for losses	1,404,527,050	1,090,056,722
	<u>1,410,901,708</u>	<u>1,101,746,459</u>
Bank premises, at cost less amounts written off	11,472,871	9,851,483
Securities of and loans to corporations controlled by the Bank	26,689,584	17,197,568
Customers' liability under acceptances, guarantees and letters of credit, as per contra	53,207,481	38,698,483
Other assets	6,921,332	2,179,596
	<u>\$1,999,549,035</u>	<u>\$1,520,984,859</u>

TREVOR W. PILLEY,
Chairman and Chief Executive Officer
D. EDWIN McGEACHAN,
President and Chief Operating Officer

Statement of Assets and Liabilities as at October 31, 1979

(With comparative figures at October 31, 1978)

Liabilities

	1979	1978
Deposits:		
Deposits by Canada	\$ 22,661,129	\$ 32,429,001
Deposits by provinces	8,297,782	4,041,686
Deposits by banks	147,217,634	94,242,542
Personal savings deposits payable after notice, in Canada, in Canadian currency	803,600,761	530,597,945
Other deposits	881,118,792	756,526,479
	1,862,896,098	1,417,837,653
Acceptances, guarantees and letters of credit	53,207,481	38,698,483
Other liabilities	4,452,877	3,534,764
Accumulated appropriations for losses	12,658,808	9,365,980
Capital Funds:		
Debentures issued and outstanding (note 2)	19,440,000	9,451,000
Capital stock		
Authorized		
2,500,000 shares, par value \$10 each		
Issued (note 3)	15,316,630	14,787,726
Rest account	31,500,000	27,241,875
Undivided profits	77,141	67,378
	66,333,771	51,547,979
	\$1,999,549,035	\$1,520,984,859

Auditors' Report to the Shareholders of Bank of British Columbia

We have examined the statement of assets and liabilities of Bank of British Columbia as at October 31, 1979 and the statements of revenue, expenses and undivided profits, accumulated appropriations for losses and rest account for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Bank as at October 31, 1979 and its revenue, expenses and undivided profits, accumulated appropriations for losses and transactions in the rest account for the year then ended.

Vancouver, British Columbia
November 19, 1979

R. Keith Duncan, C.A.
of Winspear Higgins Stevenson & Co.
Donald C. Selman, F.C.A.
of Peat, Marwick, Mitchell & Co.

Notes to Financial Statements

Year ended October 31, 1979

1. Significant accounting policies:

- (a) The Bank Act and related regulations issued by the Minister of Finance stipulate the form of the Bank's financial statements.
- (b) Securities issued or guaranteed by the Government of Canada or the provinces are recorded at amortized cost. Investment account and trading account securities are recorded at the lower of cost or market. Realized gains and losses and adjustments to the lower of cost or market of investment account securities are reflected in the Statement of Accumulated Appropriations for Losses. The corresponding items related to trading securities are reflected in the Statement of Revenue and Expenses.
- (c) Loans plus applicable accrued interest are recorded net of unearned income and specific provision for anticipated losses.
- (d) Bank premises and equipment are written off on the straight line basis over the estimated useful life of the asset.
- (e) Accumulated appropriations for losses is an amount set aside to provide for possible future losses principally from securities and loans. The "General Accumulated Appropriations" plus specific provisions for losses, referred to under securities and loans, are limited to 1½% of non-equity securities plus eligible loans. The "Tax-Paid Appropriations" are to provide for possible losses on all other securities, loans or non-recurring transactions.
- (f) Foreign currency assets, liabilities, revenue and expenses are translated into Canadian Dollars at the prevailing year-end rates. Gains and losses resulting from the Bank's trading account are included in the Statement of Revenue and Expenses recorded at the actual rate of conversion.

2. Debentures issued and outstanding:

	1979	1978
7½% sinking fund debentures, maturing 1991	\$ 440,000	\$ 451,000
9% debentures, maturing 1984	6,000,000	6,000,000
9¾% debentures, redeemable at holders' option in 1980, maturing 1985	3,000,000	3,000,000
10¼% debentures, redeemable at Bank's option in 1984, maturing 1989	10,000,000	—
	\$19,440,000	\$ 9,451,000

Notes to Financial Statements

Year ended October 31, 1979

3. Capital stock:

In July 1978 the Bank offered shareholders the right to subscribe for additional shares at \$30 per share on the basis of one new share for each five shares held. Subscriptions were payable in full or in ten monthly installments. The resulting changes for the current fiscal year are as follows:

	Number of Shares		Amount
	Issued and fully paid	Partly paid	
Balance at beginning of year	1,466,015	65,648	\$14,787,726
Balance of July 1978 proceeds	65,648	(65,648)	528,904
Balance at end of year	1,531,663	—	\$15,316,630

4. Income taxes:

The income tax provision for the year is included in the financial statements as follows:

	1979	1978
Statement of revenue, expenses and undivided profits	\$ 1,980,000	\$ 3,570,000
Statement of accumulated appropriations for losses	(1,830,896)	(1,284,063)
Statement of rest account	(551)	(118,838)
	\$ 148,553	\$ 2,167,099

As a portion of the Bank's income is from tax-exempt investments the income tax provision of \$1,980,000 is less than that obtained by applying normal tax rates to the Balance of Revenue.

5. BBC Mortgage Ltd.:

A preliminary prospectus dated September 10, 1979 has been filed with various Canadian security commissions by BBC Mortgage Ltd., a wholly-owned subsidiary of the Bank. Subject to market conditions, the Bank intends to enter into an underwriting agreement with BBC Mortgage Ltd. and the underwriters, under which BBC Mortgage Ltd. will agree to sell and the underwriters will agree to purchase 800,000 Cumulative Redeemable Preference Shares Series A of BBC Mortgage Ltd. at a price of \$25.00 per share. Subject to legislative and other approvals these preference shares would be replaced with Bank preferred shares.

Statement of Assets and Liabilities as at October 31, 1979

(With comparative figures at October 31, 1978)

	1979	1978
Assets:		
Conventional mortgages, at cost plus accrued interest	\$13,416,596	\$13,240,365
Other assets	20,154	37,934
	\$13,436,750	\$13,278,299
Liabilities:		
Due to Bank of British Columbia	\$ 354,021	\$ 93,235
Term promissory notes	12,287,000	12,287,000
Other liabilities	202,103	223,594
	12,843,124	12,603,829
Shareholder's Equity:		
Capital stock:		
Preference shares	—	—
Common shares	600,000	600,000
Retained earnings (Deficit):		
Balance at beginning of year	74,470	55,773
Net earnings	69,026	71,197
	143,496	126,970
Dividends paid	149,870	52,500
Balance at end of year	(6,374)	74,470
	593,626	674,470
	\$13,436,750	\$13,278,299

Notes:

1. The Company, which became a wholly-owned subsidiary of the Bank on August 14, 1979, is carried on the Bank's books at \$600,000. Pursuant to a share purchase agreement, the Company paid a special dividend totalling \$149,870 on August 13, 1979.
2. BBC Mortgage Ltd. has filed a preliminary prospectus with various Canadian security commissions for the issuance of preference shares. Costs aggregating \$71,578 relating to this prospectus have been provided for in the accounts of the Company.

Statement of Assets and Liabilities as at October 31, 1979

(With comparative figures at October 31, 1978)

	1979	1978
Assets:		
Cash in bank	\$ 972	\$ 637
Agreements receivable	131,682	256,292
Houses held subject to agreements for sale to employees of the Bank of British Columbia	19,408,654	16,472,401
Land and buildings, at cost less accumulated depreciation	632,799	586,283
Other assets	5,579	15,000
	\$20,179,686	\$17,330,613
Liabilities:		
Other liabilities	\$ 126,645	\$ 133,045
Loan from Bank of British Columbia	20,043,041	17,187,568
Capital stock	10,000	10,000
	\$20,179,686	\$17,330,613

Note:

The Bank of British Columbia owns the entire capital stock of BBC Realty Ltd. which is carried on the books of the Bank at \$10,000.

Auditors' Report to the Shareholders of Bank of British Columbia

We have examined the statements of assets and liabilities of the foregoing controlled corporations as at October 31, 1979. Our examination was made in accordance with generally accepted auditing standards, and accordingly, included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statements of assets and liabilities present fairly the financial position of the corporations as at October 31, 1979.

The statement of assets and liabilities of BBC Mortgage Ltd. as at October 31, 1978, included for comparative purposes, was reported on by other chartered accountants.

Vancouver, British Columbia
November 19, 1979

R. Keith Duncan, C.A.
of Winspear Higgins Stevenson & Co.

Donald C. Selman, F.C.A.
of Peat, Marwick, Mitchell & Co.

Statement of Assets and Liabilities as at September 30, 1979

(Expressed in United States Dollars)

Assets:

Cash and due from banks	\$2,002,642
Premises, at cost less amounts written off	10,876
Other assets	54,726
	<hr/>
	\$2,068,244

Liabilities:

Due to Bank of British Columbia	\$ 78,439
Other liabilities	2,906
	<hr/>
	81,345

Shareholder's Equity:

Capital stock:	
Issued and fully paid	2,000,000
Deficit	(13,101)
	<hr/>
	1,986,899
	<hr/>
	\$2,068,244

Note:

The Bank of British Columbia owns the entire capital stock of British Columbia Financial Corp. (H.K.) Limited which is carried on the books of the Bank at \$2,372,000 (Canadian).

Auditors' Report to the Shareholders of British Columbia Financial Corp. (H.K.) Limited

We have examined the statement of assets and liabilities of British Columbia Financial Corp. (H.K.) Limited, a controlled corporation of the Bank of British Columbia, as at September 30, 1979. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statement of assets and liabilities gives a true and fair view of the state of affairs of British Columbia Financial Corp. (H.K.) Limited as at September 30, 1979.

Hong Kong
November 2, 1979

Peat, Marwick, Mitchell & Co.
Chartered Accountants
Certified Public Accountants

Canada's Western Bank

Statistical Review

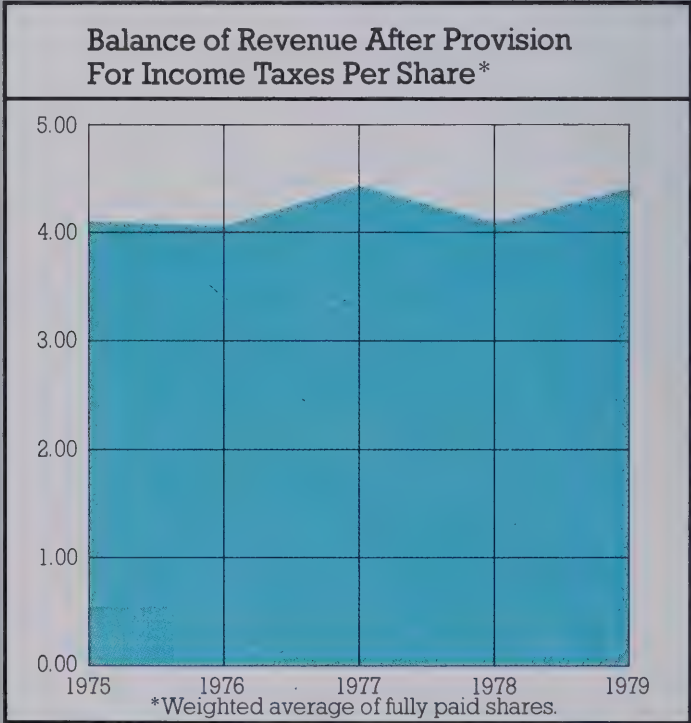
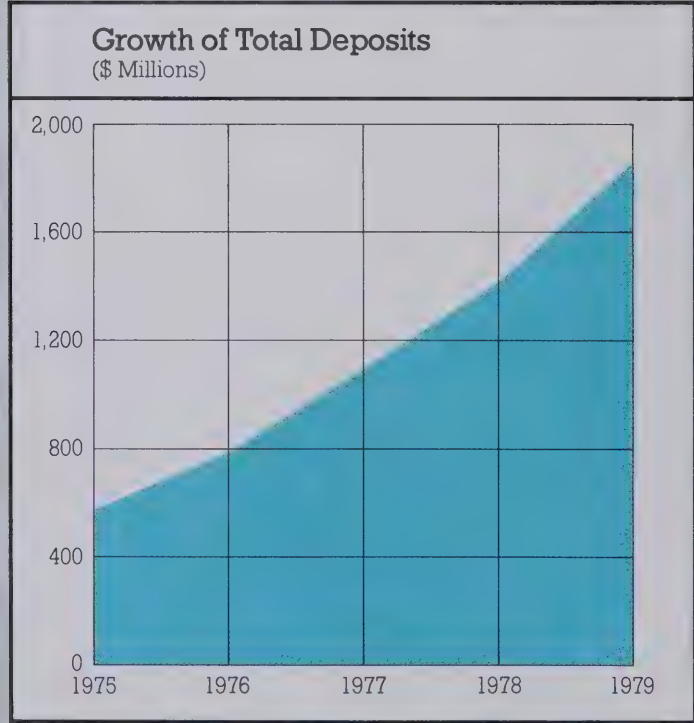
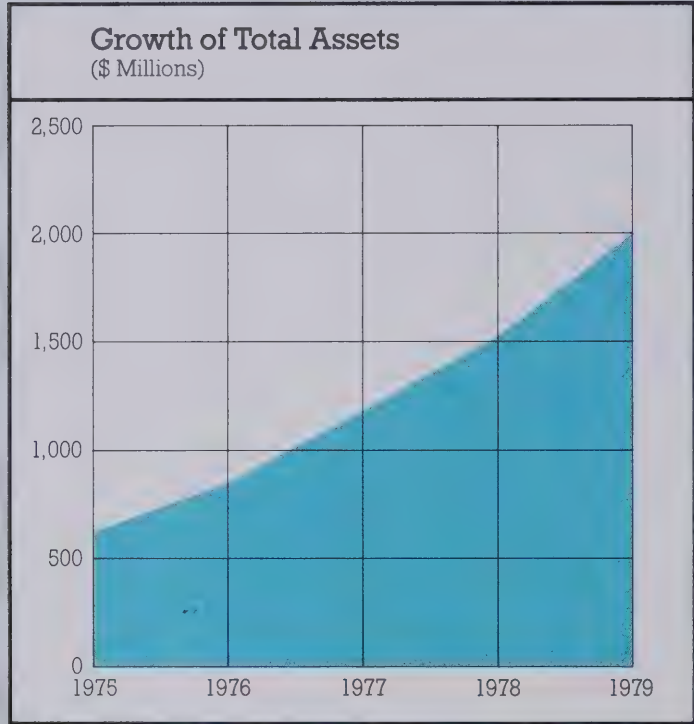


Bank of British Columbia

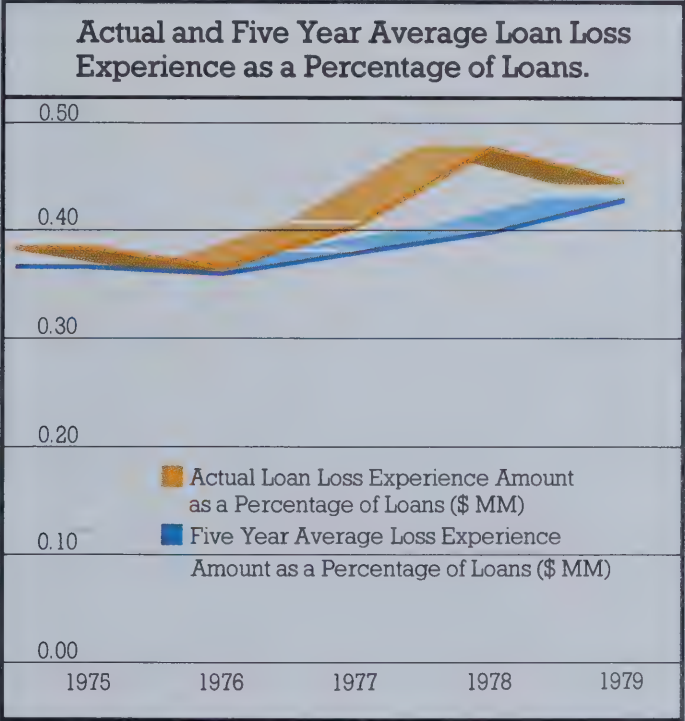
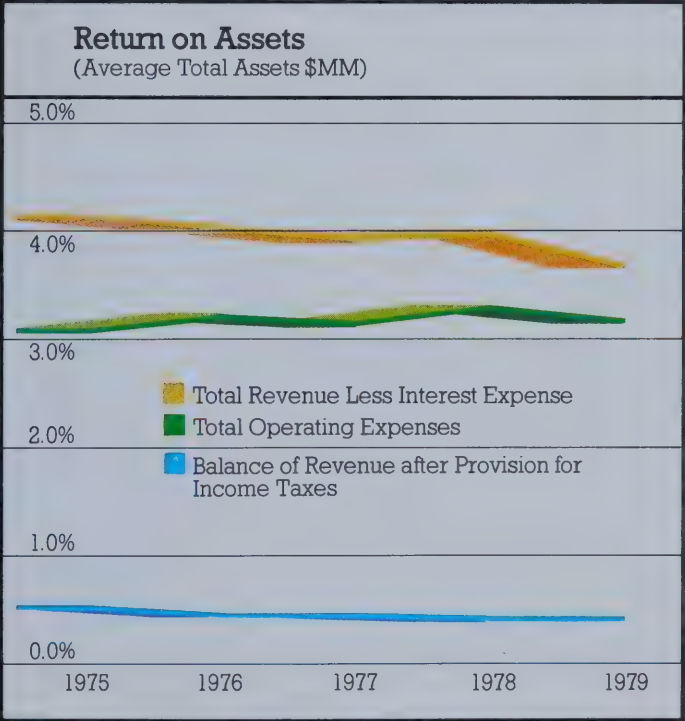
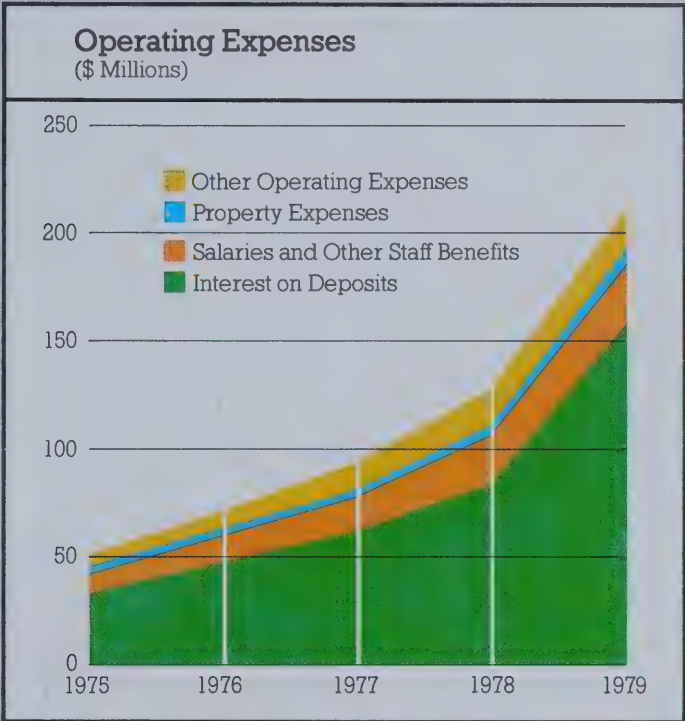
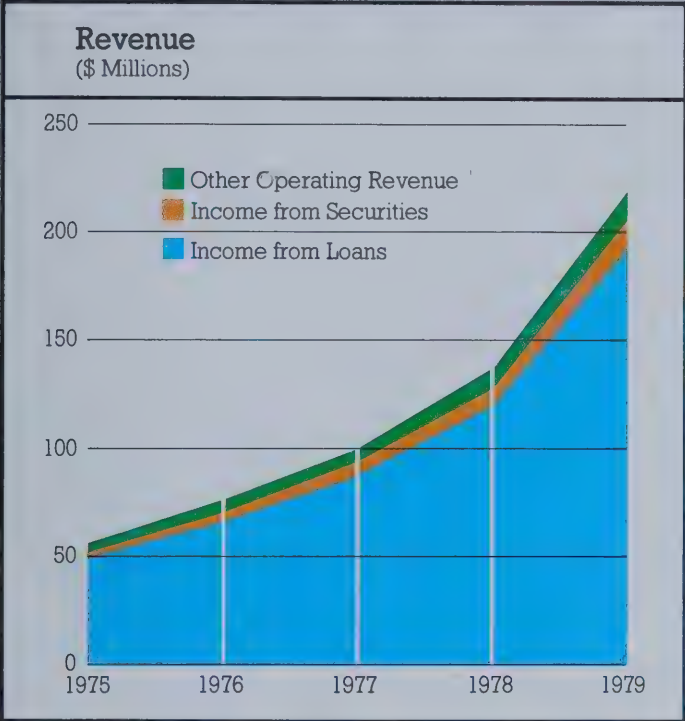
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A Five Year Comparison



A Five Year Comparison



Ten Year Statistical Review

(in thousands of dollars)

Assets and Liabilities

Assets:	1979	1978	1977
Cash resources	\$ 284,268	\$ 245,113	\$ 161,106
Securities	206,088	106,198	122,076
Loans	1,410,902	1,101,747	843,194
Bank premises (net)	11,473	9,851	6,871
Other assets	86,818	58,076	44,932
Total	\$1,999,549	\$1,520,985	\$1,178,179

Liabilities:			
Deposits	\$1,862,896	\$1,417,838	\$1,097,931
Other liabilities	57,660	42,233	33,302
Accumulated appropriation for losses	12,659	9,366	7,487
Capital funds:			
Debentures	19,440	9,451	8,000
Capital stock	15,317	14,788	11,920
Rest account	31,500	27,242	19,473
Undivided profits	77	67	66
Total	\$1,999,549	\$1,520,985	\$1,178,179

Accumulated Appropriations for Losses

Accumulated Appropriations at beginning of year	\$ 9,366	\$ 7,487	\$ 5,351
Additions (deductions) during year:			
Appropriations from current year's operations	4,000	3,150	2,675
Loss experience on loans less provision included in other operating expenses	(175)	(738)	(139)
Profits and losses on securities, etc.	(312)	(17)	342
Credit for income taxes	1,830	1,284	933
Transferred to undivided profits	(2,050)	(1,800)	(1,675)
	3,293	1,879	2,136
Accumulated Appropriations at end of year:			
General	12,248	9,085	7,288
Tax-paid	411	281	199
Total	\$ 12,659	\$ 9,366	\$ 7,487

Rest Account

Balance at beginning of year	\$ 27,242	\$ 19,473	\$ 14,105
Premium on issue of capital stock	1,057	5,019	2,718
Transfer from undivided profits	3,201	2,750	2,650
Balance at end of year	\$ 31,500	\$ 27,242	\$ 19,473

1976	1975	1974	1973	1972	1971	1970
\$ 100,979	\$ 97,848	\$ 92,086	\$ 61,814	\$ 38,376	\$ 22,496	\$ 15,108
77,055	32,249	30,600	16,242	21,685	28,203	35,103
629,747	466,595	337,336	235,067	179,452	124,294	68,290
5,504	3,978	2,911	1,884	1,513	1,462	1,217
31,158	24,336	18,858	2,859	3,150	1,838	1,553
\$ 844,443	\$ 625,006	\$ 481,791	\$ 317,866	\$ 244,176	\$ 178,293	\$ 121,271
\$ 785,713	\$ 574,284	\$ 445,590	\$ 295,305	\$ 221,616	\$ 163,312	\$ 107,134
21,741	19,879	15,152	2,774	3,181	1,201	969
5,351	4,020	2,774	1,582	1,333	936	474
8,000	8,000	5,000	5,000	5,000	—	—
9,464	7,658	5,106	5,106	5,106	5,106	5,106
14,105	11,100	8,100	8,050	7,900	7,700	7,550
69	65	69	49	40	38	38
\$ 844,443	\$ 625,006	\$ 481,791	\$ 317,866	\$ 244,176	\$ 178,293	\$ 121,271
\$ 4,020	\$ 2,774	\$ 1,582	\$ 1,333	\$ 936	\$ 474	\$ 311
1,875	1,750	549	250	130	283	133
(25)	(67)	345	(250)	147	(69)	(87)
(50)	287	(282)	(6)	26	(9)	—
681	501	580	255	94	257	117
(1,150)	(1,225)	—	—	—	—	—
1,331	1,246	1,192	249	397	462	163
5,234	3,955	2,769	1,577	1,328	936	474
117	65	5	5	5	—	—
\$ 5,351	\$ 4,020	\$ 2,774	\$ 1,582	\$ 1,333	\$ 936	\$ 474
\$ 11,100	\$ 8,100	\$ 8,050	\$ 7,900	\$ 7,700	\$ 7,550	\$ 7,400
1,180	1,113	—	—	—	—	—
1,825	1,887	50	150	200	150	150
\$ 14,105	\$ 11,100	\$ 8,100	\$ 8,050	\$ 7,900	\$ 7,700	\$ 7,550

Ten Year Statistical Review

(in thousands of dollars)

Revenue, Expenses and Undivided Profits

Revenue:	1979	1978	1977
Income from loans	\$ 191,889	\$ 119,336	\$ 88,388
Income from securities	14,204	7,665	6,518
Other operating revenue	13,051	9,177	6,357
Total Revenue	\$ 219,144	\$ 136,178	\$ 101,263
Expenses:			
Interest on deposits and bank debentures	\$ 156,214	\$ 83,941	\$ 61,571
Salaries, pension contributions and other staff benefits	28,902	22,539	16,237
Property expenses, including depreciation	5,555	4,026	3,088
Other operating expenses	19,818	16,844	12,655
Total Expenses	210,489	127,350	93,551
Balance of Revenue	8,655	8,828	7,712
Provision for income taxes relating thereto	1,980	3,570	3,255
Balance of revenue after provision for income taxes	6,675	5,258	4,457
Appropriation for losses	4,000	3,150	2,675
Balance of profits	2,675	2,108	1,782
Dividends	1,514	1,157	810
Amount carried forward	1,161	951	972
Undivided profits at beginning of year	67	66	69
Transfer from accumulated appropriations for losses	2,050	1,800	1,675
	3,278	2,817	2,716
Transfer to rest account	3,201	2,750	2,650
Undivided Profits at End of Year	\$ 77	\$ 67	\$ 66
Other Information:			
Balance of revenue per share after provision for income taxes	\$4.41	\$4.08	\$4.42
Dividends per share	1.00	.88	.80
Number of branches	45	43	35
Valuation day value — December 22, 1971: \$22.25			

1976	1975	1974	1973	1972	1971	1970
\$ 67,421	\$ 48,628	\$ 39,014	\$ 18,518	\$ 11,480	\$ 7,360	\$ 5,127
4,456	3,394	2,142	1,263	1,360	2,505	1,967
4,778	3,792	2,392	1,434	815	518	300
\$ 76,655	\$ 55,814	\$ 43,548	\$ 21,215	\$ 13,655	\$ 10,383	\$ 7,394
\$ 47,611	\$ 33,077	\$ 29,095	\$ 11,957	\$ 7,766	\$ 5,496	\$ 4,067
12,650	9,085	7,129	4,256	2,713	1,984	1,407
2,438	1,891	1,519	1,012	817	639	453
8,077	5,937	3,962	2,676	1,555	1,340	944
70,776	49,990	41,705	19,901	12,851	9,459	6,871
5,879	5,824	1,843	1,314	804	924	523
2,750	3,000	969	650	370	440	233
3,129	2,824	874	664	434	484	290
1,875	1,750	549	250	130	283	133
1,254	1,074	325	414	304	201	157
575	416	255	255	102	51	—
679	658	70	159	202	150	157
65	69	49	40	38	38	31
1,150	1,225	—	—	—	—	—
1,894	1,952	119	199	240	188	188
1,825	1,887	50	150	200	150	150
\$ 69	\$ 65	\$ 69	\$ 49	\$ 40	\$ 38	\$ 38
\$4.05	\$4.08	\$1.71	\$1.30	\$.85	\$.95	\$.57
.75	.65	.50	.50	.20	.10	—
33	30	28	23	20	18	10

Note:

For purposes of the Statistical Review, the amounts for the years preceding 1973 have been restated where necessary to conform to 1973 and subsequent years' presentation.

For presentation purposes, certain statutory headings have been abbreviated.

Branches

British Columbia

VANCOUVER & LOWER MAINLAND

Main — 999 West Pender Street
D. C. Wollstein

Vice President and Manager

R. J. Buchanan

Senior Account Manager

G. F. Ledwith

Senior Account Manager

Broadway & Willow —

800 West Broadway

B. J. Weston, *Manager*

Burnaby — 5210 Kingsway

M. C. Wedgewood, *Manager*

Burnaby —

9952 Lougheed Highway

J. B. Carlson, *Manager*

Burnaby —

4106 East Hastings Street

G. D. Huston, *Manager*

Chinatown — 601 Main Street

H. Fetigan, *Manager*

1047 Denman Street —

C. W. Kroeker, *Manager*

Fraser & 48th —

6373 Fraser Street

J. C. Dowle, *Manager*

937 West Georgia Street —

F. E. Chambers, *Manager*

C. J. Sherwood

Senior Account Manager

Granville & 12th —

2735 Granville Street

E. A. Dalgarno, *Manager*

Hastings & Penticton —

2590 East Hastings Street

N. S. Elliot, *Manager*

R. E. Stairs

Senior Account Manager

Kerrisdale —

2164 West 41st Avenue

D. Duke, *Manager*

Kingsway & Senlac —

3398 Kingsway

J. P. Tregaskis, *Manager*

New Westminster —

731 Columbia Street, W.

L. G. Steele, *Manager*

New Westminster —

504-6th Street

G. T. Cameron, *Manager*

North Vancouver —

1457 Lonsdale Avenue

C. G. Pickavance, *Manager*

Richmond — 6800 No. 3 Road

P. L. Booth, *Manager*

A. H. L. Parsons

Senior Account Manager

Surrey —

10241 King George Highway

T. T. McColl, *Manager*

10th & Sasamat —

4480 West 10th Avenue

W. R. Harrop, *Manager*

West Vancouver —

1645 Marine Drive

J. C. Wright, *Manager*

White Rock —

1493 Johnston Road

R. Straker, *Manager*

FRASER VALLEY

Abbotsford —

33700 Essendene Avenue

W. K. Adrian, *Manager*

Chilliwack — 1 Main Street

T. A. Hockin, *Manager*

W. J. Bollee

Manager, Agricultural Services

J. R. Lynch

Senior Account Manager

Haney — 11955- 224th Street

A. H. Ackland, *Manager*

Langley —

20437 Fraser Highway

E. E. Posliff, *Manager*

INTERIOR/NORTHERN B.C.

Cranbrook — 1001 Baker Street

H. D. Lundell, *Manager*

Kamloops — 380 Victoria Street

L. C. Earle, *Manager*

Kelowna — 384 Bernard Avenue

V. E. Broeder, *Manager*

Penticton — 294 Main Street

A. Richmond, *Manager*

Vernon — 3321 Barnard Avenue

A. Fergusson, *Manager*

Prince George —

1533-2nd Avenue

G. C. Weinand, *Manager*

VANCOUVER ISLAND

Victoria

Main — 752 Fort Street

H. J. Steele, *Manager*

P. D. Peake

Senior Account Manager

Douglas & Hillside —

2640 Douglas Street

G. J. Sprung, *Manager*

Douglas & Johnson —

1327 Douglas Street

G. P. Williams, *Manager*

Nanaimo —

70 Commercial Street

D. J. Huie, *Manager*

J. T. Rhodes

Senior Account Manager

Alberta

Calgary

Main — 444 - 5th Avenue S.W.

J. E. G. Young

*Assistant General Manager
& Manager*

R. J. Collens

Senior Account Manager

Alberta Place — 1530 - 4th Street S.W.

G. J. Syrota, *Manager*

15th & Centre Street —

1511 Centre Street N.W.

M. D. Krause, *Manager*

Forest Lawn —

3620 - 17th Avenue S.E.

A. C. Kennedy, *Manager*

74th & Macleod Trail —

7403 Macleod Trail S.W.

D. P. Belden, *Manager*

Edmonton

Main — 10065 Jasper Avenue

A. C. Propp

*Assistant General Manager
& Manager*

G. McLeod

Senior Account Manager

106th & Jasper —

10561 Jasper Avenue

G. M. Reid, *Manager*

82nd & 104th — 8139 - 104th Street

Y. H. Carle, *Manager*

97th & 130th — 13043 - 97th Street

R. N. Evaniuk, *Manager*

Jasper Place — 15103 Stony Plain Road

D. Tunncliffe, *Manager*

International Banking

International Agency

San Francisco, California

300 Montgomery Street, Suite 735

C. Bettles

Agent

European Representative Office

London, England

27 - 32 Old Jewry

B. P. Millard

European Representative

**British Columbia Financial Corp.
(H.K.) Limited**

Suite 81C, New Henry House

No. 10 Ice House Street

Hong Kong

J. S. K. Yu

Managing Director



Head Office: 1725 Two Bentall Centre, Vancouver, British Columbia